

# **FISCAL NOTE**

## **HB 169 - SB 52**

March 21, 2003

**SUMMARY OF BILL:** Allows a 15% franchise and excise tax credit, that can be carried forward for up to 15 years, for money spent on research and development.

### **ESTIMATED FISCAL IMPACT:**

**Decrease State Revenues - Exceeds \$30,000,000**

**Increase State Expenditures - \$65,600- One-Time**

Estimate assumes:

- Research and development expenditures within Tennessee of \$2,250,000,000 in FY04.
- Approximately 50% of research and development activities are conducted by non-governmental entities subject to the franchise and excise tax.
- There is a potential tax credit of,  $\$2,250,000,000 \times 50\% \times 15\% = \$168,750,000$ , based on the 15% tax credit.
- Tax credit cannot exceed tax liability, therefore it is assumed that 20% of this total,  $\$168,750,000 \times 20\% = \$33,750,000$ , will actually be given in tax credits.
- The credit can be carried forward over a 15-year period. As a result, the loss in revenue to the state could climb significantly in future years.
- There is a one-time cost of \$65,600 associated with systems changes required to enact this legislation.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director